

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year Eight (2001-2002) of Its Gas Cost Incentive Mechanism.

Application 02-06-035
(Filed June 17, 2002)

**ADMINISTRATIVE LAW JUDGE'S RULING
SETTING A PREHEARING CONFERENCE FOR YEAR EIGHT
OF THE GAS COST INCENTIVE MECHANISM**

Southern California Gas Company (SoCalGas) filed its Year Eight Gas Cost Incentive Mechanism (GCIM) application on June 17, 2002. SoCalGas requests a GCIM shareholder reward of \$17.4 million pursuant to the revised GCIM established in Decision (D.) 02-06-023.

A response to the application was filed by the Office of Ratepayer Advocates, and a protest to the application was filed by Southern California Edison Company (SCE).

SCE's protest asserts that the GCIM that SoCalGas operates under creates "creates perverse incentives, harms noncore customers, and has a detrimental impact on California energy markets." SCE also asserts that the GCIM formula allows SoCalGas to exercise market power or other anticompetitive behavior to benefit SoCalGas' shareholders. (SCE Protest, pp. 3-4.)

In D.02-06-023, the Commission adopted a settlement which modified the GCIM for Year Seven and beyond. The settlement was opposed by SCE and the Southern California Generation Coalition. Prior to the adoption of the settlement, two days of hearings were held. Among the issues considered in the

hearings were SCE's allegation that the GCIM created perverse incentives.

D.02-06-023 also directed the Commission's Energy Division to "prepare an Order Instituting Investigation (OII) into the 2000/2001 border price spikes for our consideration," and that OII "should include, but not be limited to, the activities of all major trading entities in and at the California-Arizona border for the years 2000 and 2001 and the impact of those activities on California's energy crisis." Thus, it appears that issues raised by SCE's protest to this application have already been addressed by the Commission in D.02-06-023.

A prehearing conference will be held on November 6, 2002, at 1:30 p.m., to discuss whether the issues raised by SCE should be examined in this application, and to determine the procedural schedule for processing this application. SoCalGas, and other interested parties may file PHC statements regarding what issues need to be resolved, whether hearings are necessary, and a proposed schedule for processing this application. The PHC statements are to be filed on or before November 1, 2002, and an electronic copy shall be transmitted to the undersigned and the service list in A.02-06-035.

IT IS RULED that:

1. A prehearing conference (PHC) will be held on November 6, 2002, at 1:30 p.m., in the Commission's Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco.
2. Southern California Gas Company, and other interested parties, may file PHC statements with the Docket Office on or before November 1, 2002.
 - a. The PHC statements should address the party's position what issues need to be resolved, whether hearings are necessary, and a proposed schedule.

- b. A copy of the PHC statement shall be electronically served on the undersigned (jsw@cpuc.ca.gov) and to the service list in this proceeding.

Dated October 9, 2002, at San Francisco, California.

/s/ JOHN S. WONG

John S. Wong
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Setting a Prehearing Conference for Year Eight of the Gas Cost Incentive Mechanism on all parties of record in this proceeding or their attorneys of record.

Dated October 9, 2002, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TTY# 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.